

# The Psychological Profiles of Tunisien Entrepreneurs

Salima Taktak\* & Bassem Salhi\*\*

\*Researcher, University of Sfax, Tunisia, NORTH AFRICA. E-Mail: salima.taktak@yahoo.fr

\*\*Researcher, University of Sfax, Tunisia, NORTH AFRICA. E-Mail: bassem.salhi@yahoo.fr

**Abstract**—Generally, entrepreneurs receive less actual financial gain from their enterprises, than businesses in the non-entrepreneur sector. However, the majority of entrepreneurs feel that they enjoy an above average level of non-monetary advantage. According to survey results, one of the major non-financial advantages of entrepreneurship is the operation of their own business without interference from outside influences. Working in a self-employed capacity, entrepreneurs acquire a better all-around set of social skills, due to the necessity of dealing with every demand of their business, including interaction with other people, rather than just a specified portion of workday tasks. It is speculated this may positively affect family life and marriage for entrepreneurs. Being a successful entrepreneur seems directly related to the individual's level of personal optimism. While the entrepreneur may be tempted by deals that offer an extremely profitable return, they are more concerned with remaining in a position of authority within their business scope.

**Keywords**—Desirability of Control, Entrepreneurs, Entrepreneurship, Optimism, Self Monitoring

**Abbreviations**—Affect (AF), Desirability of Control (DC), Optimism Instrument (OP), Social Anxiousness (SA), Survey of Consumer Finances (SCF),

**JEL Classification**—M13, G11, G00, G32, D03

## I. INTRODUCTION

OWNING one's own business is the biggest dream of most business graduates. However, statistics show that very few college graduates choose to pursue entrepreneurial endeavors.

Entrepreneurs appear to make suboptimal financial choices. Hamilton (2000) establishes that entrepreneurs accept lower median life-time earnings than similarly skilled wage-earners. Moskowitz & Vissing-Jorgensen (2002) establish that entrepreneurs earn low risk-adjusted returns. Moreover, entrepreneurs appear to hold poorly diversified portfolios. Instead they concentrate their wealth in their own private business [Heaton & Lucas, 2000; Gentry & Hubbard, 2001; Moskowitz & Vissing-Jorgensen, 2002]. In light of the evidence, the average return to all private equity is actually similar to that of the public market equity index. However, the risk is higher. Survival rates of private firms are only around 34% over the first 10 years of the firm's life.

Bitler et al., (2004) investigate the structuring of incentives for entrepreneurs and ask why people would choose to become entrepreneurs. Puri & Robinson (2008) provide some insight into why people would choose to become entrepreneurs. They ask whether entrepreneurs are risk-takers. They suggest that entrepreneurs might derive substantial non-pecuniary benefits from self-employment.

They hypothesize that entrepreneurs might be optimistic about their entrepreneurial prospects.

Puri and Robinson's analysis of the data in the Survey of Consumer Finances (SCF) leads them to a series of conclusions. First, they find that entrepreneurs are more risk-loving and optimistic than the rest of the population. Second, these traits are separable in that the correlation between risk tolerance and optimism is low.

Third, entrepreneurs tend to have long planning horizons, good health practices, and strong family ties. In respect to planning, entrepreneurs are almost three times more likely to indicate that they never intend to retire. Moreover, people who do not plan to retire work about 3% longer per week. Consider how the configuration of entrepreneurs' characteristics relates to the suboptimality of the returns, which they earn. Unless entrepreneurs are actually risk-seeking, being more risk-loving than the general population does not explain why entrepreneurs earn suboptimal risk-adjusted returns.

Notably, optimism might provide part of the explanation. Puri and Robinson focus on dispositional optimism as opposed to unrealistic optimism. They point out that the psychology literature distinguishes between dispositional optimism and optimistic bias. The former views optimism as a positive personality trait associated with positive generalized expectations of the future [Scheier & Carver, 1985].

The latter views optimism as a negative, domain-specific bias in expectations [Weinstein, 1980]. It is straightforward to see how optimistic bias can lead to inferior returns. Of course, dispositional optimism can also involve optimistic bias, and therefore produce inferior returns as well. This is not to say that the net impact of dispositional optimism is negative.

In this regard, Bitler et al., (2004) find that effort increases firm performance.

In their analysis, Puri & Robinson (2008) focus on dispositional optimism. They do not measure optimism bias directly, but infer it from self-reported estimates of own life expectancy. This chapter extends their analysis by surveying entrepreneurs for dispositional optimism and comparing their responses to non-entrepreneurs.

Puri & Robinson (2009) is a retitled, revised version of their 2008 paper, discussing the combined effects of dispositional optimism, risk tolerance, and non pecuniary benefits. While the combination of risk-seeking choices and optimism possibly explains why entrepreneurs earn low risk-adjusted return, to my mind it seems far more plausible that non-pecuniary benefits lie at the heart of the issue.

After all, entrepreneurs work longer hours and plan to retire later than their non entrepreneur counterparts. What might those non-pecuniary benefits be?

I suggest that a major non-pecuniary benefit for entrepreneurs is the exercise of control over their working environment, the control that derives from starting a new business and managing that business. In this regard, I hypothesize that the desire for control is a psychological need, which might be higher among entrepreneurs than non-entrepreneurs.

Puri & Robinson (2008) document that relative to non-entrepreneurs, entrepreneurs are more likely to be married and have larger families. See also Wadhwa et al., (2009). This suggests that entrepreneurs might be more socially focused than others.

I hypothesize that this is the case. In particular, I test whether entrepreneurs are less anxious in social settings than non-entrepreneurs, and more aware of social cues and their own behavior.

If entrepreneurs derive significant non-pecuniary benefits from entrepreneurial activity, then it seems plausible that entrepreneurs would report being happier than their non-entrepreneurial counterparts. I test whether this is the case using two instruments, one pertaining to well-being (life satisfaction) and the other pertaining to degree of affect (positive, neutral, or negative).

The major findings of this study are as follows: Entrepreneurs exhibit more dispositional optimism than their non-entrepreneurial counterparts, although in my small sample, the difference is not statistically significant at the 95% confidence level. The most significant difference between entrepreneurs and non-entrepreneurs is the desire for control: Entrepreneurs place much more emphasis on control.

Entrepreneurs appear to be more comfortable in social situations, and feel that they are more sensitive to social cues.

They also report being more positive and more satisfied with their lives. Finally, entrepreneurs report that they have a preference for positively skewed returns. Taken together, these findings suggest that the nonpecuniary benefits that entrepreneurs experience are substantial.

## II. ANALYSIS

### 2.1. Data

The data for this study involve responses to a series of psychological surveys. The surveys relate to instruments for measuring dispositional optimism [Scheier, 1985], desirability of control [Burger & Cooper, 1979], social anxiousness [Leary, 1983], self-monitoring behavior [Snyder 1974; Lennox & Wolfe, 1984], life satisfaction [Diener et al., 1985], and affect [Watson & Clark, 1988].

The surveys were administered to two different groups:

1. a group of Tunisian entrepreneurs;
2. a group of students of Sfax University.

The surveys were administered in the autumn of 2012 and winter of 2013.

The demographic characteristics of the groups differed in respect to age and gender. Table 1 represents a descriptive statistic of respondents.

Table 1 – Descriptive Statistic of Respondents

	Number	Genre		Average Age
		Male	Female	
<b>Entrepreneur</b>	150	86%	14%	35.9
<b>Student</b>	150	55%	45%	22

### 2.2. Desire for Control

Desirability, in the terminology of Shapero (1982), represents the degree of attractiveness an individual feels towards the creation of a business. Ajzen's theory of planned behavior speaks, meanwhile, to an attitude more than a choice.

Puri & Robinson (2008) classify respondents to the SCF as entrepreneurs if they own some or all of at least one privately owned business, and are full-time self-employed.

It seems plausible to suggest that people who fit this description exert more control over their working environment than others, and that part of the appeal of being an entrepreneur is achieving this degree of control. Put somewhat differently, entrepreneurs possess a strong need for control, which leads them to choose a career in which they seek to meet that need.

Burger & Cooper (1979) introduce a survey instrument (DC) which is designed to measure the Desirability of Control. The survey instrument consists of twenty questions.

The range of possible responses varies from 1 to 7 where 1 means "The statement does not apply to me at all," and 7 means "The statement always applies to me." For 15 of the questions, 7 is associated with the strongest desire for control, while for 5 of the questions, 1 is associated with the strongest desire for control.

In terms of results, the average DC score per question is 5.3 for entrepreneurs and 4.2 for students. To interpret these

results, note that 4 means “I am unsure about whether or not the statement applies to me or it applies to me about half the time,” 5 means “The statement applies more often than not,” and 6 means “The statement usually applies to me.” The difference between entrepreneurs and students is statistically significant ( $t$  statistic = 3.5) [See appendix n°1]. Notably, the above result is not driven by gender. For students as a whole, the desire for control is very similar for males (4.7) as for females (4.5). Hence, the difference points to an entrepreneur effect rather than a gender effect.

The results suggest that desire for control is a major non-pecuniary benefit associated with being an entrepreneur, a result consistent with the theory of motivation developed by Deci & Ryan (1985) and articulated by Pink (2009) and Shefrin (2011).

### 2.3. Social Anxiousness and Self-Monitoring

Consider psychological attributes that relate to the finding that entrepreneurs marry at a higher rate than non-entrepreneurs and have more children. This finding suggests that entrepreneurs like people. This section considers two psychological instruments that relate to interpersonal relationships. The first stems from the work of Leary (1983), who studied social anxiousness, the degree to which people are uncomfortable in social situations. The second relates to self-monitoring, a concept studied by Snyder (1974) and Lennox & Wolfe (1984).

The survey instrument used to study Social Anxiousness (SA) features 15 questions. A lower SA score signals less social anxiety. Entrepreneurs have a mean SA score of 2.2, whereas students’ mean SA score is 2.8. A score of 2 means “Slightly characteristic” and a score of 3 means “Moderately characteristic.” The difference between 2.2 and 2.8 is statistically significant ( $t$ -statistic = -2.5) [See appendix n°2].

Self-monitoring involves being sensitive to social cues, and being able to adapt to those cues. The self-monitoring survey instrument is SM. The range of possible responses comprises a 6-point scale from “Always false” to “Always true.”

The mean score for entrepreneurs is 4.5 and for non-entrepreneurs is 3.6. Here 3 means “Somewhat false, but with exception,” 4 means “Somewhat true, but with exception,” and 5 means “Generally true.” The difference between 4.5 and 3.6 is not statistically significant ( $t$ -statistic = 1.4) [See appendix n°3].

### 2.4. Affect and Well-Being

Are entrepreneurs happier than non-entrepreneurs? What makes this question especially interesting is that entrepreneurs work more than non-entrepreneurs and earn lower risk-adjusted returns on their investments. To investigate the question, we use survey instruments based on the work of Watson & Clark (1988), who study affect, and Diener et al., (1985), who study life satisfaction or well-being. We refer to the associated instruments as AF and WB, respectively.

The affect survey asks respondents to indicate how frequently they experience a variety of emotional states such as “interested,” “distressed,” and “excited.”

Responses are on a 5-point scale, in which 1 means “very slightly or not at all,” and 5 means “extremely.” Some states connote negative affect and some connote positive affect. An AF score of zero connotes neutral overall affect. The mean AF-score for entrepreneurs was 1.5 and the mean AF-score for students was 0.7. The difference is statistically significant ( $t$ -statistic = 2.9) [See appendix n°4].

The life satisfaction survey asks respondents 25 true/false questions such as “I always seem to have something pleasant to look forward to,” and “Often I get irritated at little annoyances.” Of the 25 questions, 11 relate to feelings of positive life satisfaction and 14 to negative feelings. Relative to an adjusted neutral score of 0, the mean WB-score for entrepreneurs was -1.1 and for students was -1.4. Entrepreneurs score higher on the WB-survey. However, both groups’ mean scores are negative responses, and the difference is not statistically significant ( $t$ -statistic = 1.6) [See appendix n°5].

Overall, the evidence indicates that entrepreneurs are happier than non-entrepreneurs. These results confirm the observation of Shefrin (2011).

### 2.5. Optimism

Using their life expectancy proxy for optimism, Puri & Robinson (2008) and Shefrin (2011) find that entrepreneurs exhibit more dispositional optimism than non-entrepreneurs. We augment their analysis by using an instrument to measure dispositional optimism [Scheier, 1985].

The Optimism Instrument (OP) consists of eight questions whose responses fall on a five-point scale where 1 means “strongly disagree” and 5 means “strongly agree.” Two of the questions are: “I’m always optimistic about my future,” and “I hardly ever expect things to go my way.”

Adjusting for signs, the mean OP-score for entrepreneurs was 3.7 and for students it was 3.1. Notably, both groups feature OP-scores between Neutral and Agree, and are therefore optimistic. Although entrepreneurs appear to be more optimistic than students, the difference in scores is not statistically significant ( $t$ -statistic = 1.2) [See appendix n°6]. However, the results are quite similar to the larger sample described in Puri & Robinson (2008), Shefrin (2011) where the differences are statistically significant.

### 2.6. Demographics and Correlations

The data reveal some interesting patterns about demographics and correlations.

Although only 14% of the entrepreneur sample is female, the mean responses for males and females are similar on almost all instruments. To the extent that there are differences, females are more optimistic than males by 0.2, exhibit less social anxiousness by 0.3, and report higher social monitoring by 0.5.

The differences are interesting, but there are too few female entrepreneurs in the sample to draw meaningful

conclusions from these numbers alone. Therefore, consider what information can be gleaned from the student responses. For students, the differences between male responses and female responses are small for all instruments.

The major differences are across groups. Entrepreneurs are different from students.

Table 2 – Correlation and Matrices of both Entrepreneurs and Students

Correlation Matrix for Entrepreneurs						
	SM	DC	SA	AF	WB	OP
SM	100.0%					
DC	32.8%	100.0%				
SA	-15.0%	-50.9%	100.0%			
AF	29.4%	54.1%	-79.5%	100.0%		
WB	2.9%	24.1%	-43.8%	63.4%	100.0%	
OP	5.5%	15.6%	-41.2%	49.0%	34.9%	100.0%
Correlation Matrix for Students						
	SM	DC	SA	AF	WB	OP
SM	100.0%					
DC	22.7%	100.0%				
SA	38.6%	-49.2%	100.0%			
AF	32.4%	65.8%	-81.2%	100.0%		
WB	29.5%	25.1%	-65.7%	73.2%	100.0%	
OP	21.4%	24.5%	-35.9%	39.8%	55.3%	100.0%

Table 2 below displays the correlation matrices for both entrepreneurs and students. The correlations are markedly similar across the two groups. The correlation between affect and well-being is high enough to suggest that the two reinforce each other in respect to measuring happiness. Likewise, self-monitoring and social anxiety are negatively correlated, suggesting that these two reinforce each other as measures of social skills. Notably, optimism and desire for control are positively correlated, but the relationship is weak. Consistent with the idea that desire for control provides major non-pecuniary benefits to entrepreneurs, the correlation between DC and Affect (AF) is positive and reasonably strong. Notably, desire for control is negatively associated with Social Anxiousness (SA), suggesting that those who are high in the desire for control are comfortable in social settings. Finding that the correlation ran the other way would be worrisome with regard to productivity.

### 2.7. Preferences

Puri & Robinson (2008), Shefrin (2011) find that entrepreneurs are more risk-loving and optimistic than the rest of the population, although the correlation between risk tolerance and optimism is low. The analysis in this article suggests that desire for control is a major motivator for why people choose to be entrepreneurs, stronger than risk attitude and optimism.

In terms of risk, it is also possible that people choose to be entrepreneurs because they have a preference for lottery-type returns. To test for this possibility, we ran a supplementary survey, based on the concepts in SP/A theory, which posed the following two questions to entrepreneurs:

1. On a scale of 1–7 where 1 is unimportant and 7 is extremely important, how important to you is upside potential as a reason being an entrepreneur?

2. On a scale of 1–7 where 1 is unimportant and 7 is extremely important, how important to you is being in control of your work world as a reason being an entrepreneur?

The mean response to the first question was 6.1 and to the second was 6.7. Clearly, both factors are important. However, between the two, control is more important.

The supplementary survey also posed qualitative questions designed to elicit

features emphasized by a SP/A theory, a psychologically based framework for understanding the impact on risky choice from emotions such as fear, and hope, and the achievement of specific aspirational goals.

The responses indicate that entrepreneurs feel that fear is a weak emotion for them, hope is a moderately strong emotion, and aspirational goals are strong. Many indicate that they would accept lottery-type returns if the downside is small, but are more reluctant if the downside is not small, of if doing so significantly diminishes the probability of achieving their specific aspirations.

## III. CONCLUSION

The aim of our study is to describe, explain and predict, in a context of the Psychological Profiles of Tunisien Entrepreneurs.

Entrepreneurs derive lower risk-adjusted returns than non-entrepreneurs, but are compensated through non-pecuniary benefits. The most important benefit is achieving greater control over their working environment. Doing so leads entrepreneurs to report achieving higher affect and well-being than non-entrepreneurs. Entrepreneurs report that they are more skilled socially than non-entrepreneurs. This might provide a partial explanation for why entrepreneurs have a higher marriage rate and larger families than non-entrepreneurs. Finally, entrepreneurs exhibit greater dispositional optimism than non-entrepreneurs. However, in my small sample, the difference is not statistically significant.

## REFERENCES

- [1] M. Snyder (1974), "Self-Monitoring of Expressive Behavior", *Journal of Personality and Social Psychology*, Vol. 30, No. 4, Pp.526–537.
- [2] J. Burger & H. Cooper (1979). "The Desirability of Control", *Motivation and Emotion*, Vol. 3, No. 4, Pp. 381–393.
- [3] N. Weinstein (1980), "Unrealistic Optimism about Future Life Events", *Journal of Personality and Social Psychology*, Vol. 39, Pp. 806–820.
- [4] A. Shapero & L. Sokol (1982), "The Social Dimension of Entrepreneurship, in *Encyclopedia of Entrepreneurship*", *Englewood Cliffs: Prentice Hall*.
- [5] M. Leary (1983), "Social Anxiousness: The Construct and its Measurement", *Journal of Personality Assessment*, Vol. 47, No. 1, Pp. 66–75.
- [6] R.D. Lennox & R.N. Wolfe (1984), "Revision of the Self-Monitoring Scale", *Journal of Personality and Social Psychology*, Vol. 46, No. 6, Pp. 1349–1364.

- [7] Deci, Edward L & Richard M. Ryan (1985), “Intrinsic Motivation and Self-Determination in Human Behavior”, *NY: Plenum Press*.
- [8] E. Diener, R. Emmons, R. Larsen & S. Griffin (1985), “The Satisfaction with Life Scale”, *Journal of Personality Assessment*, Vol. 49, No. 1, Pp. 71–75.
- [9] M. Scheier (1985), “Optimism, Coping, and Health: Assessment and Implications of Generalized Outcome Expectancies”, *Health Psychology*, Vol 4, No. 3, Pp. 219–247.
- [10] M.F. Scheier, & C.S. Carver (1985), “Optimism, Coping and Health: Assessment and Implications of Generalized Outcome Expectancies”, *Health Psychology*, Vol. 4, Pp. 219–247.
- [11] D. Watson & L.A. Clark (1988), “Development and Validation of Brief Measures of Positive and Negative Affect: The PANAS Scales”, *Journal of Personality and Social Psychology*, Vol. 54, No. 6, Pp. 1063–1070.
- [12] B. Hamilton (2000), “Does Entrepreneurship Pay? An Empirical Analysis of the Returns to Selfemployment”, *Journal of Political Economy*, Vol. 108, Pp. 604–631.
- [13] J. Heaton & D. Lucas (2000), “Asset Pricing and Portfolio Choice: The Importance of Entrepreneurial Risk”, *Journal of Finance*, Vol. 55, Pp. 1163–1198.
- [14] W. Gentry & G. Hubbard (2001), “Entrepreneurship and Household Saving”, *NBER Working Paper No. 7894*. Cambridge: NBER.
- [15] T. Moskowitz & A. Vissing-Jorgensen (2002), “The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle?”, *The American Economic Review*, Vol. 92, Pp. 745–778.
- [16] M. Bitler, T. Moskowitz & A. Vissing-Jorgensen (2004), “Testing Agency Theory with Entrepreneur Effort and Wealth”. *Journal of Finance*, Vol. 60, Pp. 539–576.
- [17] D. Pink (2009), “Drive: The Surprising Truth about What Motivates Us. New York”, *NY: Penguin Group*.
- [18] M. Puri & D.T. Robinson (2008), “Who are Entrepreneurs and why do they behave that way?”, *Working Paper*. Durham: Duke University.
- [19] M. Puri & D.T. Robinson (2009), “The Economic Psychology of Entrepreneurship and Family Business”, *Working Paper*, Duke University.
- [20] V. Wadhwa, R. Aggarwal, K. Holly & A. Salkever (2009), “The Anatomy of an Entrepreneur: Family Background and Motivation”, *Kansas City: Ewing Marion Kauffman Foundation of Entrepreneurship*.
- [21] H. Shefrin (2011), “Insights into the Psychological Profiles of Entrepreneurs. In Yazdipour, R 2011”, *Advances in Entrepreneurial Finance: With Applications from Behavioral Finance and Economics*, *Springer*.
- [22] C. Dawson, D. Meza, A. Henley & G.R. Arabsheibani (2012), “Entrepreneurship: Cause or Consequence of Financial Optimism?”, *IZA Discussion Paper No. 6844, Working Paper*.

## APPENDIX

### Appendix 1:

	Desire for Control
Test-t	3.5
sig	0.042

### Appendix 2:

	Social Anxiousness
Test-t	-2.5
sig	0.009

### Appendix 3:

	Self-Monitoring
Test-t	1.4
sig	0.511

### Appendix 4:

	Affect
Test-t	2.9
sig	0.001

### Appendix 5:

	Life Satisfaction
Test-t	1.6
sig	0.251

### Appendix 6:

	Optimism
Test-t	1.2
sig	0.642